



GENERAL ASSEMBLY

COMMONWEALTH OF KENTUCKY

2010 REGULAR SESSION

HOUSE BILL NO. 540

AS ENACTED

THURSDAY, APRIL 1, 2010

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TREY GRAYSON
SECRETARY OF STATE
COMMONWEALTH OF KENTUCKY
BY R. Adles

AN ACT relating to teachers' retirement, making an appropriation therefor, and declaring an emergency.

Be it enacted by the General Assembly of the Commonwealth of Kentucky:

➔SECTION 1. A NEW SECTION OF KRS 161.222 TO 161.716 IS CREATED TO READ AS FOLLOWS:

(1) (a) The "Kentucky Teachers' Retirement System insurance trust fund" is hereby created. All assets received in the trust fund shall be deemed trust funds to be held and applied solely as provided in this section. Assets of the trust fund shall not be used for any other purpose and shall not be used to pay the claims of creditors or any individual, person, or employer participating in the Kentucky Teachers' Retirement System.

(b) The trust fund is intended to be established as a trust exempt from taxation under 26 U.S.C. sec. 115.

(2) The trust fund is created for the purpose of providing a trust separate from the funds under KRS 161.420. Trust fund assets are dedicated for use for health benefits as provided in KRS 161.675, and as permitted under 26 U.S.C. secs. 105 and 106, for present and future eligible recipients of a retirement allowance from the Kentucky Teachers' Retirement System.

(3) The trust fund shall be administered by the board of trustees established by KRS 161.250, and the board shall serve as trustees of the fund. The board shall manage the assets of the fund in the same general manner in which it administers the retirement funds, except that the asset allocation may differ and separate accounting and financial reporting shall be maintained for the trust fund.

(4) In addition to the requirements of subsection (2) of this section, the employers participating in the trust fund are limited to the Commonwealth, political subdivisions of the Commonwealth, and entities whose income is exempt from

1 taxation under 26 U.S.C. sec. 115. No other entity may participate in the trust
 2 fund.

3 (5) If the trust fund is terminated, the assets in the trust fund may revert, after the
 4 payment of all liabilities, to the participating employers as determined by the
 5 board of trustees.

6 (6) The board of trustees may promulgate administrative regulations and adopt
 7 procedures and a trust document to implement this section and take all action
 8 necessary and appropriate to provide that the income of the trust fund shall not
 9 diminish or expand the rights of any recipients, employees, or dependents to
 10 health benefits.

11 (7) The establishment of the Kentucky Teachers' Retirement System insurance trust
 12 fund shall not diminish or expand the rights of any recipients, employees, or
 13 dependents to health benefits.

14 (8) The trust fund established under this section, at the direction of the board of
 15 trustees, shall consist of amounts, excluding those amounts that have been
 16 deposited to an account established pursuant to 26 U.S.C. sec. 401(h), that have
 17 been accumulated for the purpose of providing benefits as provided in KRS
 18 161.675, including:

19 (a) Contributions required under Section 4 of this Act;

20 (b) Contributions required under subsection (4)(b) of Section 5 of this Act; and

21 (c) Interest income from the investments of the fund from contributions
 22 received by the fund and from income earned on those investments.

23 ➔Section 2. KRS 161.420 is amended to read as follows:

24 All of the assets of the retirement system are for the exclusive purpose of providing
 25 benefits to members and annuitants and defraying reasonable expenses of administering
 26 the system. The board of trustees shall be the trustee of all funds of the system and shall
 27 have full power and responsibility for administering the funds. It is hereby declared that

1 the restrictions and rights provided herein shall not be subject to reduction or impairment
2 by alteration, amendment, or repeal. All the assets of the retirement system shall be
3 credited according to the purpose for which they are held to one (1) of the following
4 funds:

5 (1) The expense fund shall consist of the funds set aside from year to year by the board
6 of trustees to defray the expenses of the administration of the retirement system.
7 Each fiscal year an amount not greater than four percent (4%) of the dividends and
8 interest income earned from investments during the immediate past fiscal year shall
9 be set aside into the expense fund or expended for the administration of the
10 retirement system;

11 (2) The teachers' savings fund shall consist of the contributions paid by members of the
12 retirement system into this fund and regular interest assigned by the board of
13 trustees from the guarantee fund. A member may not borrow any amount of his or
14 her accumulated contributions to this fund, or any interest earned thereon. The
15 accumulated contributions of a member returned to him upon his withdrawal or
16 paid to his estate or designated beneficiary in the event of his death shall be paid
17 from the teachers' savings fund. Any accumulated contributions forfeited by a
18 failure of a teacher or his estate to claim these contributions shall be transferred
19 from the teachers' savings fund to the guarantee fund. The accumulated
20 contributions of a member shall be transferred from the teachers' savings fund to the
21 allowance reserve fund in the event of retirement by reason of service or disability;

22 (3) The state accumulation fund shall consist of funds appropriated by the state for the
23 purpose of providing annuities and survivor benefits, including any sums
24 appropriated for meeting unfunded liabilities, together with regular interest assigned
25 by the board of trustees from the guarantee fund. At the time of retirement or death
26 of a member there shall be transferred from the state accumulation fund to the
27 allowance reserve fund an amount which together with the sum transferred from the

1 teachers' savings fund will be sufficient to provide the member a retirement
2 allowance and provide for benefits under KRS 161.520 and 161.525;

3 (4) The allowance reserve fund shall be the fund from which shall be paid all retirement
4 allowances and benefits provided under KRS 161.520 and 161.525. In addition,
5 whenever a change in the status of a member results in an obligation on this fund,
6 there shall be transferred to this fund from the teachers' savings fund and the state
7 accumulation fund, the amounts as may be held in those funds for the account or
8 benefit of the member;

9 (5) (a) The medical insurance fund, which is an account established according to 26
10 U.S.C. sec. 401(h), shall consist of amounts accumulated for the purpose of
11 providing benefits as provided in KRS 161.675, including:

12 1.[(a)] For individuals who become members before July 1, 2008, one and
13 one-half percent (1.5%) of the gross annual payroll of all members shall
14 be deposited to this fund. Of this amount, three-quarters of a percent
15 (0.75%) shall derive from member contributions as provided by KRS
16 161.540 and three-quarters of a percent (0.75%) from a state
17 appropriation;

18 2.[(b)] For individuals who become members on or after July 1, 2008, two
19 and one-half percent (2.5%) of the gross annual payroll of all members
20 shall be deposited to this fund. Of this amount, one and three-quarters
21 percent (1.75%) shall derive from member contributions as provided by
22 KRS 161.540 and three-quarters of a percent (0.75%) from a state
23 appropriation;

24 3. Effective July 1, 2010, the member contributions required under
25 subsection (1)(c) of Section 3 of this Act~~(e) The board of trustees may~~
26 ~~allocate amounts up to three and twenty five hundredths percent (3.25%)~~
27 ~~of the total salaries of active members that the state appropriates~~

annually as provided under KRS 161.550(1)];

4. Effective July 1, 2010, local board of education, agency and organization contributions required under subsection (3) of Section 4 of this Act, unless the board of trustees establishes a trust fund under 26 U.S.C. sec. 115 for health care purposes, in which case the board may direct those contributions to that trust fund;

5.[(d)] Employer medical insurance fund stabilization contributions as set forth in KRS 161.550[(2)], unless the contributions are made to a trust fund under 26 U.S.C. sec. 115 established by the board for this purpose; and

6.[(e)] Interest income from the investments of the fund from contributions received by the fund under subparagraphs 1. to 5. of this paragraph[paragraphs (a) to (d) of this subsection], and from income earned on those investments.

(b) All claims for benefits under KRS 161.675 shall be paid from this fund or from any trust fund under 26 U.S.C. sec. 115 as established by the board for this purpose. Any amounts deposited to the fund that are not required to meet current costs shall be maintained as a reserve in the fund for these benefits. The board shall take the necessary and appropriate steps, including promulgating administrative regulations and procedures to maintain the status of the medical insurance fund as an account subject to 26 U.S.C. 401(h);

(6) The guarantee fund shall be maintained to facilitate the crediting of uniform interest on the amounts of the other funds, except the expense fund, to finance operating expenses directly related to investment management services, and to provide a contingent fund out of which special requirements of any of the other funds may be covered. All income, interest, and dividends derived from the authorized deposits

- 1 and investments shall be paid into the guarantee fund. Any funds received from
 2 gifts and bequests, which the board is hereby authorized to accept and expend
 3 without limitation in a manner either expressed by the donor or deemed to be in the
 4 best interest of the membership, shall be credited to the guarantee fund. Any funds
 5 transferred from the teachers' savings fund by reason of lack of claimant or because
 6 of a surplus in any fund and any other moneys whose disposition is not otherwise
 7 provided for, shall also be credited to the guarantee fund. The interest allowed by
 8 the board of trustees to each of the other funds shall be paid to these funds from the
 9 guarantee fund. Any deficit occurring in any fund that would not be automatically
 10 covered shall be met by the payments from the guarantee fund to that fund~~[-The~~
 11 ~~board of trustees may, at any time during a fiscal year, transfer from the guarantee~~
 12 ~~fund to the medical insurance fund an amount not to exceed four percent (4%) of~~
 13 ~~the income earned from investments during the immediate past year];~~
- 14 (7) The school employee annuity fund shall consist of those funds voluntarily
 15 contributed under the provisions of Section 403(b) of the Internal Revenue Code by
 16 a retired member of the Teachers' Retirement System with accounts that existed on
 17 or after July 1, 1996. The contributions shall not be picked up as provided in KRS
 18 161.540(2). Separate member accounts shall be maintained for each member. The
 19 board of trustees may promulgate administrative regulations pursuant to KRS
 20 Chapter 13A to manage this program;
- 21 (8) The supplemental retirement benefit fund shall consist of those funds contributed by
 22 the employer for the purpose of constituting a qualified government excess benefit
 23 plan as described in Section 415 of the Internal Revenue Code for accounts that
 24 existed on or after July 1, 1996. The board of trustees shall promulgate
 25 administrative regulations pursuant to KRS Chapter 13A to administer this
 26 program; and
- 27 (9) The life insurance benefit fund shall consist of amounts accumulated for the

purpose of providing benefits provided under KRS 161.655. The board of trustees may allocate to this fund a percentage of the employer and state contributions as provided under KRS 161.550. The allocation to this fund will be in an amount that the actuary determines necessary to fund the obligation of providing the benefits provided under KRS 161.655.

→Section 3. KRS 161.540 is amended to read as follows:

- (1) (a) Effective July 1, 1988, each individual who first becomes a member before July 1, 2008, shall contribute to the retirement system nine and eight hundred fifty-five thousandths percent (9.855%) of annual compensation, except that university employees who participate in the Kentucky Teachers' Retirement System shall contribute eight and three hundred seventy-five thousandths percent (8.375%) of annual compensation.
- (b) Each individual who first becomes a member on or after July 1, 2008, shall contribute to the retirement system ten and eight hundred fifty-five thousandths percent (10.855%) of annual compensation, except that university employees who participate in the Kentucky Teachers' Retirement System~~[faculty members]~~ shall contribute nine and three hundred seventy-five thousandths percent (9.375%) of annual compensation.
- (c) Effective July 1, 2010, members shall, in addition to those contributions required under subsection (1)(a) and (b) of this section, make a contribution to the medical insurance fund established under subsection (5) of Section 2 of this Act according to the following schedule:
 1. For each individual who first became a member of the retirement system before July 1, 2008, a total amount of annual compensation equal to and effective on:

<u>July 1, 2010</u>	<u>Twenty-five hundredths percent (.25%)</u>
<u>July 1, 2011</u>	<u>One-half percent (0.50%)</u>

July 1, 2012 One percent (1.0%)

July 1, 2013 One and one-half percent (1.5%)

July 1, 2014 Two and twenty-five hundredths percent (2.25%)

July 1, 2015

and thereafter Three percent (3.0%) for a total of three and seventy-

five hundredths percent (3.75%) when added to the

contributions required under subsection (5)(a) of

Section 2 of this Act; or

2. For each individual who first becomes a member of the retirement system on or after July 1, 2008, a total amount of annual compensation equal to and effective on:

July 1, 2013 One-half percent (0.50%)

July 1, 2014 One and twenty-five hundredths percent (1.25%)

July 1, 2015

and thereafter Two percent (2.0%) for a total of three and seventy-

five hundredths percent (3.75%) when added to the

contributions required under subsection (5)(a) of

Section 2 of this Act.

3. Notwithstanding the provisions of subsections (1)(c)1. and 2. of this section, members employed by any employer identified in KRS 161.220(4)(b) or (n) shall contribute, as a percentage of their total annual compensation, the actuarial equivalent of the percentage contributed by members under subsections (1)(c)1. and 2. of this section, not to exceed the percentages established under the schedules set forth in subsections (1)(c)1. and 2. of this section. The actuarial equivalent to be contributed under this subsection shall be determined by the retirement system's actuary. These contributions shall be in lieu

of those contributions required under subsections (1)(c)1. and 2. of this section.

4. When the medical insurance fund established under subsection (5) of Section 2 of this Act achieves a sufficient prefunded status as determined by the retirement system's actuary, the board of trustees shall recommend to the General Assembly that the contributions required under subsections (1)(c)1., 2., and 3. of this section shall, in an actuarially accountable manner, be either decreased, suspended, or eliminated.

(d) Payments authorized by statute that are made to retiring members, who became members of the system before July 1, 2008, for not more than sixty (60) days of unused accrued annual leave shall be considered as part of the member's annual compensation, and shall be used only for the member's final year of active service. The contribution of members shall not exceed these applicable percentages on annual compensation. When a member retires, if it is determined that he has made contributions on a salary in excess of the amount to be included for the purpose of calculating his final average salary, any excess contribution shall be refunded to him in a lump sum at the time of the payment of his first retirement allowance. In the event a member is awarded a court-ordered back salary payment the employer shall deduct and remit the member contribution on the salary payment, plus interest to be paid by the employer, to the retirement system unless otherwise specified by the court order.

(2) Each public board, institution, or agency listed in KRS 161.220(4) shall, solely for the purpose of compliance with Section 414(h) of the United States Internal Revenue Code, pick up the member contributions required by this section for all compensation earned after August 1, 1982, and the contributions so picked up shall

be treated as employer contributions in determining tax treatment under the United States Internal Revenue Code and KRS 141.010(10). The picked-up member contribution shall satisfy all obligations to the retirement system satisfied prior to August 1, 1982, by the member contribution, and the picked-up member contribution shall be in lieu of a member contribution. Each employer shall pay these picked-up member contributions from the same source of funds which is used to pay earnings to the member. The member shall have no option to receive the contributed amounts directly instead of having them paid by the employer to the system. Member contributions picked-up after August 1, 1982, shall be treated for all purposes of KRS 161.220 to 161.714 in the same manner and to the same extent as member contributions made prior to August 1, 1982.

➔Section 4. KRS 161.550 is amended to read as follows:

- (1) Beginning with July 1, each employer, except as provided under KRS 161.555, shall contribute annually to the Kentucky Teachers' Retirement System~~[retirement system]~~ a permanent amount equal to that contributed by members of the retirement system it employs less the amount contributed by employees under subsection (1)(c) of Section 3 of this Act, plus an additional three and one-fourths percent (3.25%) of the total of salaries of members of the retirement system it employs to discharge the system's unfunded obligations with interest assumed by the state and to provide funding to the medical insurance fund as provided under KRS 161.420(5). If the board of trustees establishes a trust fund under 26 U.S.C. sec. 115, the board may deposit the employer contribution dedicated to retiree health in that trust fund.
- (2) In addition to the required contributions in subsection (1) of this section, the state shall contribute annually to the Kentucky Teachers' Retirement System~~[retirement system]~~ a percentage of the total salaries of the state-funded and federally funded members it employs to pay the cost of health insurance coverage for retirees who

1 are not eligible for Medicare and who retire on or after July 1, 2010, less the
 2 amounts that are otherwise required to be paid by the retirees under Section 5 of
 3 this Act. The Kentucky Teachers' Retirement System may also request an
 4 additional amount necessary to ensure payment of medical insurance cost
 5 through fiscal year 2015-2016 which shall not be subject to the limitations of
 6 paragraph (c) of the subsection. The board shall deposit funds in the medical
 7 insurance fund unless the board of trustees has established a trust fund under 26
 8 U.S.C. sec. 115 for this purpose. In this case, the board may deposit the employer
 9 contribution in that trust~~[provide stabilization funding for the medical insurance]~~
 10 fund. This contribution shall be known as the state medical insurance fund
 11 stabilization contribution. The percentage to be contributed by the state under this
 12 subsection:

13 (a) Shall be determined by the retirement system's actuary for each biennial
 14 budget period;~~[The percentage to be contributed by the state]~~

15 (b) May be suspended or adjusted by the General Assembly if in its judgment the
 16 welfare of the Commonwealth so demands; and

17 (c) Shall not exceed the lesser of the actual benefit cost for retirees not eligible
 18 for Medicare who retire on or after July 1, 2010, or the amount contributed
 19 by employers under subsection (3) of this section.

20 (3) Effective July 1, 2010, all local boards of education, agencies, and organizations
 21 identified in KRS 161.220(4) with the exception of those institutions identified
 22 under paragraphs (b) and (n) of KRS 161.220(4) shall make a contribution for
 23 each payroll on behalf of their active employees who participate in the Kentucky
 24 Teachers' Retirement System in an amount equal to the percentage of payroll of
 25 those active employees, according to the schedule as follows:

26 July 1, 2010 Twenty-five hundredths percent (.25%)

27 July 1, 2011 One-half percent (.50%)

July 1, 2012 One percent (1.0%)

July 1, 2013 One and one-half percent (1.5%)

July 1, 2014 Two and twenty-five hundredths percent (2.25%)

July 1, 2015

and thereafter Three percent (3.0%)

(4) Institutions identified under KRS 161.220(4)(b) and (n) shall make a contribution for each payroll on behalf of their active employees who participate in the Kentucky Teachers' Retirement System of an amount equal to a percentage of these employees' payroll that is actuarially equivalent to the percentage contributed by local boards of education, agencies, and organizations identified under subsection (3) of this section, not to exceed the percentages established under the schedules set forth in subsection (3) of this section. The actuarial equivalent to be contributed under this subsection shall be determined by the Kentucky Teachers' Retirement System's actuary.

(5) When the medical insurance fund established under subsection (5) of Section 2 of this Act achieves a sufficient prefunded status as determined by the Kentucky Teachers' Retirement System's actuary, the board of trustees shall recommend to the General Assembly that the contributions required under subsections (3) and (4) of this section shall, in an actuarially accountable manner, be either decreased, suspended, or eliminated.

(6) Each employer shall remit the required employer contributions to the retirement system under the terms and conditions specified for member contributions under KRS 161.560. The state shall provide annual appropriations based upon estimated funds needed to meet the requirements of KRS 161.155; 161.168; 161.507(4); 161.515; 161.545; 161.553; 161.605; 161.612; and 161.620(1), (3), (5), (6), and (7). In the event an annual appropriation is less than the amount of these requirements, the state shall make up the deficit in the next biennium budget appropriation to the

1 retirement system. Employer contributions to the retirement system are for the
 2 exclusive purpose of providing benefits to members and annuitants and these
 3 contributions shall be considered deferred compensation to the members.

4 ➔Section 5. KRS 161.675 is amended to read as follows:

- 5 (1) The board of trustees shall arrange by appropriate contract or on a self-insured basis
 6 to provide a broad program of group hospital and medical insurance for present and
 7 future eligible recipients of a retirement allowance from the Teachers' Retirement
 8 System. The board of trustees may also arrange to provide health insurance
 9 coverage through an insurer licensed pursuant to Subtitle 38 of KRS Chapter 304
 10 and offering a managed care plan as defined in KRS 304.17A-500 as an alternative
 11 to group hospital and medical insurance for persons eligible for hospital and
 12 medical benefits under this section. The board of trustees may authorize~~[- present~~
 13 ~~and future]~~ eligible recipients of a retirement allowance from the Teachers'
 14 Retirement System who are less than age sixty-five (65) to be included in the state-
 15 sponsored health insurance that is provided to active teachers and state employees
 16 under KRS 18A.225. Members who are sixty-five (65) or older and retired for
 17 service shall not be eligible to participate in the state employee health insurance
 18 program as described in KRS 18A.225.

- 19 (2) (a) The coverage provided shall be as set forth in the contracts and the
 20 administrative regulations of the board of trustees. The board of trustees may
 21 change the levels of coverage and eligibility conditions to meet the changing
 22 needs of the annuitants and, when necessary, to contain the expenses of the
 23 insurance program within the funds available to finance the insurance
 24 program, except as provided by paragraph (b) of this subsection. The contracts
 25 and administrative regulations shall provide for but not be limited to hospital
 26 room and board, surgical procedures, doctors' care in the hospital, and
 27 miscellaneous hospital costs. An annuitant whose effective date of retirement

1 is July 1, 1974, and thereafter, must have a minimum of five (5) years'
 2 creditable Kentucky service in the Teachers' Retirement System or five (5)
 3 years of combined creditable service in the state-administered retirement
 4 systems if the member is retiring under the reciprocity provisions of KRS
 5 61.680 and 61.702. An annuitant shall not elect coverage through more than
 6 one (1) of the state-administered retirement systems. The board of trustees
 7 shall offer coverage to the disabled child of an annuitant regardless of the
 8 disabled child's age if the annuitant pays the entire premium for the disabled
 9 child's coverage. A child shall be considered disabled if he has been
 10 determined to be eligible for federal Social Security disability benefits.

11 (b) Individuals who become members of the Kentucky Teachers' Retirement
 12 System on or after July 1, 2008, shall not be eligible for benefits under this
 13 section unless the member has at least fifteen (15) or more years of service
 14 credited under KRS 161.500 or another state-administered retirement system.

15 (3) All expenses for benefits under this section shall be paid from the funding
 16 provisions contained in KRS 161.420(5), from a trust fund established by the
 17 board under 26 U.S.C. sec 115, premium charges received from the annuitants and
 18 the spouses, and from funds that may be appropriated or allocated by statute.

19 (4) (a) The board of trustees shall determine the amount of health insurance
 20 supplement payments that the Teachers' Retirement System will provide to
 21 assist eligible annuitants in paying the cost of their health insurance, based on
 22 the funds available in the medical insurance fund and any trust fund
 23 established by the board for this purpose under 26 U.S.C. sec. 115. The
 24 board of trustees shall establish the maximum monthly amounts of health
 25 insurance supplement payments that will be made by the Kentucky Teachers'
 26 Retirement System~~[retirement system]~~ for eligible annuitants. The board of
 27 trustees shall annually establish the percentage of the maximum monthly

health insurance supplement payment that will be made, based on age and years of service credit of eligible recipients of a retirement allowance. Monthly health insurance supplement payments made by the retirement system may not exceed the amount of the single coverage insurance premium chosen by the eligible annuitants. In order to qualify for health insurance supplements~~[- made by the retirement system]~~, the annuitant must agree to pay the difference between the insurance premium and the applicable supplement payment, by payroll deduction from his retirement allowance, or by a payment method approved by the retirement system.

(b) The board shall, effective July 1, 2010, have the authority to charge retired members who are not paying the Standard Medicare Part B premium an amount equal to the Standard Medicare Part B premium in addition to any other payments determined by the board to be necessary to contain costs within the available funding. If the board determines that retired members who are not paying the Standard Medicare Part B premium, should pay the equivalent of the Standard Medicare Part B premium, the board shall phase-in the premium according to the following schedule:

July 1, 2010 Thirty-three percent (33%)

July 1, 2011 Sixty-seven percent (67%)

July 1, 2012

and thereafter One hundred percent (100%)

Nothing in this paragraph shall limit the board's authority to change the levels of coverage, eligibility conditions, or level of health insurance supplement for retirees in order to contain costs within available funding.

(c) The board of trustees may offer, on a full-cost basis, health care insurance coverage provided by the retirement system to spouses and dependents of eligible annuitants not otherwise eligible for regular coverage. Recipients of a

1 retirement allowance from the retirement system must agree to pay the cost of
 2 this coverage by payroll deduction from their retirement allowance or by a
 3 payment method approved by the retirement system.

4 ~~(d)~~~~(e)~~ The board of trustees shall offer, on a full-cost basis, health insurance
 5 coverage provided by the retirement system to the disabled child of an
 6 annuitant, regardless of the age of the disabled child. A child shall be
 7 considered disabled for purposes of this section if the child has been
 8 determined to be eligible for federal Social Security disability benefits.

9 (5) The board of trustees is empowered to require the annuitant and the annuitant's
 10 spouse to pay a premium charge to assist in the financing of the hospital and
 11 medical insurance program. The board of trustees is empowered to pay the expenses
 12 for insurance coverage from the medical insurance fund, from any trust fund
 13 established by the board for this purpose under 26 U.S.C. sec. 115, from the
 14 premium charges received from the annuitants and the spouses, and from funds that
 15 may be appropriated or allocated by statute. The board may provide insurance
 16 coverage by making payment to insurance carriers including health insurance plans
 17 that are available to active and retired state employees and active teachers,
 18 institutions, and individuals for services performed, or the board of trustees may
 19 elect to provide insurance on a "self-insurance" basis or a combination of these
 20 provisions.

21 (6) The board of trustees may approve health insurance supplement payments to
 22 eligible annuitants who are less than sixty-five (65) years of age, as reimbursement
 23 for hospital and medical insurance premiums made by annuitants for their
 24 individual coverage. Eligible annuitants or recipients are those annuitants who are
 25 not eligible for Medicare and who do not reside in Kentucky or in an area outside of
 26 Kentucky where comparable coverage is available. The reimbursement payments
 27 shall not exceed the minimum supplement payment that would have been made had

1 the annuitant lived in Kentucky. Eligible annuitants or recipients shall submit proof
 2 of payment to the retirement system for hospital and medical insurance that they
 3 have obtained. Reimbursement payments shall be made on a quarterly basis.

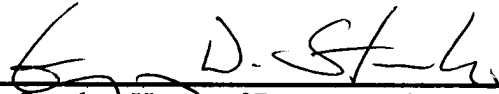
4 (7) Contracts negotiated may include the provision that a stated amount of hospital cost
 5 or period of hospitalization shall incur no obligation on the part of the insurance
 6 carrier or the retirement system or any trust fund established for this purpose by
 7 the board.

8 (8) The board of trustees is empowered to promulgate administrative regulations to
 9 assure efficient operation of the hospital and medical insurance program.

10 (9) Premiums paid for hospital and medical insurance coverage procured under
 11 authority of this section shall be exempt from any premium tax which might
 12 otherwise be required under KRS Chapter 136. The payment of premiums by the
 13 medical insurance fund or another trust fund established by the board for this
 14 purpose shall not constitute taxable income to an insured recipient.

15 (10) In the event that a member is providing services on less than a full-time basis under
 16 KRS 161.605, the retirement system may pay the full cost of the member's health
 17 insurance coverage for the full fiscal year that the member is providing those
 18 services, at the conclusion of which, the retirement system may then bill the active
 19 employer and the active employer shall reimburse the retirement system for the cost
 20 of the health insurance coverage incurred by the retirement system on a pro rata
 21 basis for the time that the member was employed by the active employer.

22 ➔Section 6. Whereas, the provisions of this Act are to be implemented at the
 23 beginning of the fiscal year, an emergency is declared to exist, and this Act takes effect
 24 July 1, 2010.

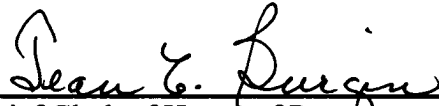


Speaker House of Representatives



President of Senate

Attest:



Chief Clerk of House of Representatives

Approved



Governor

Date

